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Preparations for the special session of the General Assembly on the implementation of the outcome of the World Summit for Social Development and Further Initiatives

Commission for Social Development
Thirty-eighth session
8-17 February 2000
Item 3 (a) of the provisional agenda**

Follow-up to the World Summit for Social Development: Priority theme: contribution of the Commission to the overall review of the implementation of the outcome of the Summit

Symposium on States, markets and social progress: roles and cooperation of the public and private sectors

Note by the Secretary-General

1. In its decision 5, taken at its organizational session in 1998, the Preparatory Committee for the Special Session of the General Assembly on the Implementation of the Outcome of the World Summit for Social Development and Further Initiatives invited Governments to contribute to the Trust Fund for the Follow-up to the World Summit for Social Development set up to support the participation of least developed countries in the work of the Preparatory Committee and the special session and the organization of expert group meetings, seminars, symposia and workshops to be held by the Secretariat on issues of relevance to the special session, both of which would contribute to the consideration of such issues by the Preparatory Committee.

2. In its resolution 1996/97 of 23 July 1996, the Economic and Social Council decided on the substantive items of the agenda for the Commission for Social Development at its future sessions and a multi-year programme of work for the consideration of priority themes. The priority theme for the thirty-eighth session of the Commission in 2000 will be "Contribution of the Commission to the overall review of the implementation of the outcome of the Summit".

3. In its resolution 1995/60 of 28 July 1995, the Council decided that the Commission for Social Development should establish the practice of opening its debates to experts and the main actors of civil society so as to enhance knowledge and understanding of social development and the exchange of information and experience. Further, in its resolution 1996/7, the Council reaffirmed the need for ensuring an effective partnership and cooperation between Governments and the relevant actors of civil society, the social partners and the major groups as defined in Agenda 21,[1] including non-governmental organizations and the private sector, in

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the implementation of and follow-up to the Copenhagen Declaration and Programme of Action adopted at the World Summit for Social Development and for ensuring their involvement in the planning, elaboration, implementation and evaluation of social policies at the national level.

4. Accordingly, in preparing for the thirty-eighth session of the Commission for Social Development and the second session of the Preparatory Committee for the Special Session of the General Assembly on the Implementation of the Outcome of the World Summit for Social Development and Further Initiatives, and in response to the expressed intentions of the Economic and Social Council, the Secretariat organized a symposium on States, markets and social progress: roles and cooperation of the public and private sectors, in cooperation with the State Development Planning Commission of the People's Republic of China. The symposium was held in Beijing from 11 to 13 October 1999. The symposium brought together international experts from all world regions, domestic participants and observers from the United Nations system. The Secretary-General wishes to express his thanks and appreciation to the Government of the People's Republic of China for hosting the symposium.

5. The report of the symposium follows the present note.

Notes

[1] In addition to the social partners (representatives of trade unions, business and industry), the other major groups identified in Agenda 21 are women; children and youth; indigenous people; non-governmental organizations; local authorities; the scientific and technological community; and farmers.

Report of the symposium on States, markets and social progress: roles and cooperation of the public and private sectors

Summary

A key question for the symposium concerned the interrelationships and interactions among actors from Government, the private sector and civil society in the cause of social progress. How does one define a well-functioning State? What is a well-functioning market? What is the contribution of civil society? All must work efficiently, and yet the gauge of efficiency, as measured by budget expenditure or by profit, is insufficient. The measures of social progress are improvements in the well-being of all people, their empowerment and their enhanced participation in decisions that affect their lives. To bring about social progress, development must be socially responsible and environmentally sound. In determining priorities, attention must be given to ethical and societal values. This is a view of development that extends far beyond economic facts and figures. It is the view that Heads of State and Government so nobly put forward at the World Summit for Social Development.

There is no universal recipe for development and social progress and each society must determine its own approach. We have recently witnessed increased concern that the State cannot respond to social needs. To some extent and in many places, the State has all but withdrawn from the field of social development, allowing the market to determine social well-being. Ultimately, however, Governments are the representatives of the people and have the responsibility for promoting social goals on their behalf. All markets function on the basis of traditions, institutions, rules and regulations. It remains a key function of the State to determine what range of issues are to be dealt with by markets, to set frameworks and to enable private actors to act more responsibly through them. The State takes on principally an "enabling" role, complemented secondarily, and where necessary, with an "implementing" or a "regulating" role.

The years since the World Summit for Social Development have been a period of rapid change and economic uncertainty. While a few economies have enjoyed sustained growth, many others have faced financial crisis, uncertainty or stagnation. On the social front, despite increasing attention, there has been considerable regression as well as progress. The collapse of several promising economies wiped out in a matter of weeks or months the progress achieved during years of development efforts. Many armed conflicts have occurred — few have been resolved. The number of people living in poverty has increased despite determined efforts in many countries. Globalization and market liberalization have created increased uncertainty for large numbers of people. Changes seem to occur more rapidly each year while inequality is growing and polarization is increasing, both within and among societies. Those individuals and groups who are able to take advantage of change do well — everyone else seems to fall farther behind.

Clearly, globalization can have both positive and negative impacts. Innovations and technological advances offer opportunities for new, more effective ways to address intransigent problems. Yet progress is not universal and it is not irreversible. Each country, and indeed cities and regions within each country, has a different experience of globalization. While there can be no blanket judgements concerning the impact of globalization, what can be said is that the process offers expanded opportunities at the

same time that it increases risks. The priority concern for all the actors involved should be to find ways and means to take better advantage of opportunities and to reduce risks. Improved, relevant and universal education is the best means to ensure that people are better prepared to take advantage of changing opportunities. Institutions need to be developed or strengthened to help people to deal with risk. Among these are improved social protection, social insurance schemes and access to information and to credit.

Globalization also reduces the ability of individual Governments to set independent policy. With regard to public finance, for example, the ability of many Governments to secure funds through taxation and tariffs has been reduced because of financial and trade liberalization. At a time when the need to remain competitive is increasing, the resources available to do so are reduced. This raises the issue of governance. Within countries, the issue of governance concerns the establishment or strengthening of mechanisms for participation and cooperation among Government and the other social actors. Globally, the issue relates to the development or strengthening of mechanisms and institutions to enable Governments and the other social actors to respond to forces beyond their individual scope.

Basic principles

Comprehensive lists of suggestions and recommendations for action appear at the end of each chapter in the body of the present report. Some of the basic principles upon which those suggestions are based are expounded below.

1. Ensuring the welfare of vulnerable groups and individuals

Vulnerable groups and individuals are those who are not empowered. This suggests that vulnerability is also closely related to the question of governance. Governance refers to the rules and institutions through which States, markets and communities structure and regulate all social and political interactions and their own functioning. The structure of governance is partly an historical inheritance, but it is also actively and consciously determined by present action. The vulnerable, by definition, are not informed or empowered enough to participate. The long-term remedy lies in removing the sources of vulnerability and increasing the participation of all people in the structures of governance: the short- or medium-term remedy requires ensuring that the interests of the vulnerable are not sacrificed by the governance structures that exist.

Just as national governance involves powerful and unempowered groups, so too does the construction of evolving institutions of global governance. The principal challenge of globalization is that, whereas the instruments for governance, by design or by default, need to go beyond the national to the global level, the capacity of more and more groups (of individuals and nations) to participate in governance tends to decline. A key dilemma is that we are trying to respond to global problems with purely national solutions, which are not up to the task. At the same time, many national problems are generated by decisions or actions taken at the global level.

In confronting the issue of vulnerability, whether at the national or the global level, the values of civility and decency, empathy and solidarity, acquire overwhelming importance as the social bases for cooperation. The problem is not how to reconcile "State" and "market" values, but to make both States and markets answerable to fundamental human values.

2. Enlarging employment by promoting small enterprises

To promote full employment requires policies and actions which support rapid growth of opportunities for income-generating work. As recognized at the Copenhagen Summit, rapid job creation is likely to occur most often in small and medium-sized enterprises. Yet studies indicate that it is a relatively small number of fast-growing small firms that actually account for most job creation, not the entire sector. It is important for Governments to adopt policies and programmes to both strengthen small- and medium-sized enterprises and encourage labour-intensive growth. Governments can do this by promoting an appropriate business environment, ensuring an adequate legal framework for markets to function and encouraging larger firms to provide support.

Policies should also provide support for informal sector enterprises, while assisting them to overcome obstacles and constraints to fuller integration into the formal economy. Attention must also be given to the quality of such employment and its sustainability.

3. Financing social development

The rationale for financing social development is not only that it is a central goal for every humane society, but also that investment in the poor makes good economic sense. It has often been argued that sufficient resources exist to meet basic human needs everywhere. What is required to ensure adequate financing is sufficient political will, mechanisms for determining how resources are allocated, improved administrative arrangements and cooperation among the social actors, including communities.

For individuals living in poverty, a key to enhanced financing of social development is to improve their access to financial services, both savings and credit. To this end, public support, including subsidized support, is necessary to facilitate the "down-scaling" of commercial banks and the "up-scaling" of informal finance institutions. Public support is also required to assist people living in poverty to establish credit history.

It is important to clearly define the nature of anticipated policy changes and the goods or services to be provided: are the benefits public, private or mixed? Pure public goods (e.g. primary education or basic health care) should be financed publicly. Mixed goods, such as tertiary education, create opportunities for public-private partnerships. Financing of purely private goods should, as far as possible, be left to market mechanisms. To achieve more within existing resources, public financing could be leveraged.

Within countries, it is important to review carefully the possibilities for re-orienting expenditures from spending on social "ills" (produced by social neglect), such as monies spent building prisons or hiring additional police, to spending on social "benefits", such as employment creation or education. At the global level, solidarity and cooperation are the key.

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I. Introduction and background

1. Four and a half years have passed since the World Summit for Social Development was convened in Copenhagen. The participation of so many Heads of State and Government, the 10 commitments to which they agreed and the comprehensive Programme of Action which they approved were fundamental affirmations of a new, holistic understanding of development. That understanding put human beings at the centre of concern for development. As they review the implementation of the outcome of the Social Summit and as they consider further initiatives for future action, Governments are invited to recall the many important and fundamental aspects of the consensus achieved at Copenhagen, *inter alia*:

(a) The central defining criteria of social progress must be improvement in the human condition and people's ability to control their lives and their futures;

(b) People should be fully involved in solving their own problems; to achieve this participation requires education, empowerment, information and democratic institutions;

(c) Partnership among the agencies of Government, the organizations of civil society and enterprises in the private sector is essential to promote sustainable, equitable development and social progress;

(d) There is a wide diversity of national situations, experiences and abilities; while uniform solutions are not desirable and while each country must define its own priorities, there is a need for greater sharing of experience and international cooperation;

(e) Equity, fairness and social justice remain essential concerns.

2. The goals and objectives established at the World Summit remain of utmost relevance. The intervening years have witnessed acceleration of the globalizing forces that affect economic and social development in all countries and the abilities of the various actors to accomplish their individual and joint objectives. While some progress has been achieved in some places in reducing poverty, promoting full employment and enhancing social integration, there have also been serious reversals. Events during the past five years have revealed just how fragile development and social progress can be. They also have demonstrated that market-based solutions by themselves are insufficient for promoting equitable development. Market liberalization has led to spectacular, if not always consistent, growth, but it has also led to greater inequality and polarization within and among societies; some regions have been mostly overlooked by private capital, and in all regions the swift withdrawal of investor confidence can lead to economic collapse and social distress.

3. Furthermore, the years since the Copenhagen Summit have revealed a paradox: while there is general consensus on the goals of development, there remains a continuing inability to implement sufficient specific policies and concrete programmes to achieve those goals. In a global sense, we know a lot and we agree on a great deal — so why don't we take action? The General Assembly at its special session in Geneva in June 2000 should make a concrete appeal to Governments to make national plans, in consultation with other social actors at the national level, to achieve the commitments made at Copenhagen. Additionally, better international cooperation is needed and the Assembly should suggest specific initiatives and measures to provide new impetus towards achieving the Summit's objectives and promoting social progress. We hope to contribute to this process by offering some analysis of the current situation and suggestions and recommendations for the consideration of Governments and other social actors.

4. Three key areas of social development were considered, namely "ensuring the welfare of vulnerable groups and individuals", "enlarging employment by promoting small enterprises in all sectors of the economy", and "financing of social development", from the perspective of the balance between public and private responsibility in these spheres. Can markets guarantee equity, fairness and social justice? Can Governments? If there is one thing which can be stated with any certainty, it is that to attain progress in these key areas some mix of public and private provisioning is required in every country. How the specific mix is determined is a matter for national discussion.

5. The extent to which an effective mix of public and private contributions can provide optimal development and equitable well-being is also subject to forces of the global economy and the support of the international community. Globalization, which will receive more in-depth treatment in the sections to follow, may be considered to be essentially irreversible. This has led many actors, both public and private, to feel essentially powerless against faceless global forces. The impact of globalization on a particular individual, group or nation should not be seen as being beyond anyone's control. If it is not possible to slay the beast, might it not be possible to tame it a bit? Do States rule markets, do markets rule States or can there be some middle ground? Ideally, this middle ground would involve the partnerships which are invoked at every opportunity,

partnerships of Government, civil society and the private sector in order to pool talents and resources — on the basis of specialization and comparative advantage — to achieve the objectives of the World Summit for Social Development.

II. Ensuring the welfare of vulnerable groups and individuals

A. Definitions

6. Rather than making a list of specific vulnerable groups, it is more important to reach an understanding of underlying factors which cause vulnerability and to find some common approaches to reducing vulnerability and marginalization within the diversity of national situations. Vulnerable groups are people who are not empowered — they are the least informed, the least organized, the least able to manage their interaction with others in the community, and they are often voiceless. Some vulnerabilities can be considered as "relative", in that they are socially created and can be ameliorated through policy interventions, education and legal measures. Other vulnerabilities (such as disability) might be considered "absolute" because they are not easily overcome and, therefore, the rights of such groups must be protected. There is also a tendency for human problems to cluster and to create multiple vulnerabilities, which makes confronting them much more difficult.

7. The combined forces of modernization and globalization seem to be increasing vulnerability, or the perception of vulnerability. The increased insecurity and uncertainty that people feel can cause them to view globalization negatively and needs to be addressed. Simultaneously, purely market-driven globalization, which ignores historical, cultural and national values and differences, has created social upheaval and increased vulnerability for large numbers of people in all countries. This is to some extent because modernization and globalization introduce new challenges — implying new opportunities and risks. It is important to consider the relationship between vulnerability and risk. The link between risk and economic growth should be recognized: growth requires taking chances, making investments, encouraging entrepreneurial behaviour. On the other hand, one of the reasons for poverty is that the poor cannot insure themselves against risk. Societies should, therefore, consider how best to respond to risk. Mutual forms of organization are important, particularly for provision of insurance and protection schemes.

8. A major goal for all social actors should be to assist people in responding to new opportunities and to protect them against new risks. Globalization, however, is occurring on a dual basis: market-based liberalization, which is happening very quickly, and political-economy globalization, which is irritatingly slow in making itself felt. Political-economy globalization refers to the development and strengthening of services, organizations and networks that help people respond to change — a process which is not keeping pace with the changes resulting from liberalization. Experience shows that the depth and impact of recent macroeconomic crises were directly related to the strength of social networks and their ability to provide some degree of social protection. Building community through social networks and organizations is a very difficult task, which would benefit from the support of Governments. The generation of social capital should be considered an important responsibility of Governments.

9. The question of values and ethics must be raised — even if market economies are seen as indispensable, societies are not ruled by the values of the market. Market principles cannot replace the values of solidarity, compassion and equity. Families, communities and informal networks, whose interactions are based not on concern for profit but on mutual interest and concern, remain fundamental, if sometimes threatened, in all societies. Furthermore, while it is possible to conceive that ethical behaviour and social responsibility can be embodied in enterprises, this requires a structure of laws or principles which conditions those enterprises and their corporate governing structures; emphasis must be given to the rights of others as well as shareholders. There are many examples of ethical behaviour and social responsibility displayed by enterprises; examples and best practices in this field should be identified, highlighted and disseminated.

10. The value of civility and decency towards the less fortunate, the vulnerable or marginalized and the global community should be stressed. Concern for human responsibility and solidarity should entail the involvement of the powerful in society in obligation to the rest of society.

B. Micro concerns and issues

11. In considering how States and markets respond to vulnerability, there is a fundamental need to ensure the rights of vulnerable individuals and groups within the protection of all human rights. Of primary concern in overcoming vulnerability is the provision of universal social services. Universal primary education and basic health care for all remain essential but may not be sufficient. There will also

be a need to target interventions towards vulnerable groups. In addition, as globalization continues and new challenges arise, more specialized services are required. Higher education, for example, is becoming increasingly important. At the same time, within universal provision, vulnerable groups and individuals may need special attention. Attaining universal social service provisions while providing special services to the vulnerable and marginalized is not contradictory. It will certainly require innovative thinking and may involve the dismantling of administrative and bureaucratic cultures which can hinder advances in this area. Too often, social services fail the people they are meant to serve.

12. With regard to provision of services for poor and vulnerable groups, there remains a great need for expanded partnerships among Government, the private sector and civil society. But there may be fundamental conflicts of interest among the public agencies, private enterprises, non-governmental organizations (NGOs) and professionals responsible for the services and the needs and desires of the recipients of those services. This is not to say that partnership is dispensable, but rather to recognize that the service providers often have interests of their own which need to be reconciled with one another and with the needs of the community. How these potential conflicts of interest are resolved can fundamentally influence the ability of services to provide assistance to vulnerable groups and individuals.

13. Often, there remains a need to change the way individuals and societies think in order to facilitate partnership. For partnership to be effective, it must be wide-ranging and more or less balanced. Governments can easily overwhelm their partners in civil society; multinational corporations, multilateral institutions or bilateral donor agencies may exert undue influence on Governments and civil society; private enterprises may see their role as limited to protecting the interests of their shareholders; the struggle for resources can create competition among agencies which renders partnership unworkable; the profit motive might overrule considerations of equity and universalism in service provision. Partnership remains a "work in progress" in most places, and greater attention is needed to establish and strengthen mechanisms which can make it effective.

14. The importance of knowledge and information is increasing daily in the new global economy. More and more, the "new" vulnerable will be those people without access to information or the skills to use it. The value of learning is essential: in an increasingly changing economy, where job security can no longer be assumed, people need to be able to continue to learn and keep abreast of innovation. The inability to continue learning leaves individuals and groups without protection in a changing world. Therefore, the education of children is vital; children who do not receive adequate education are at risk of being marginalized, as adults, from the world of work. Education must include development of the skills and abilities to continue to learn throughout life.

C. Macro concerns and issues

15. Economic growth can provide the long-term solution to poverty, but the short-term impact of growth has often been to worsen income inequality and to increase vulnerability for individuals, families and communities. It is insufficient to wait for the benefits of economic growth to "trickle down" to the poor and vulnerable for, without intervention, this is unlikely to happen. In fact, economic development and the process of innovation can create greater inequalities and divisions in society — the rich get richer and benefit more from advances in technology, while those who are unable to keep up with the pace of change in an increasingly information-oriented age become vulnerable and risk becoming marginalized. Vulnerability can be created or worsened through the forces of the market and the power relationships which exist in every society: vested interests, competing groups and ethnic rivalries may act to protect their own interests.

16. Economic issues also have social consequences: high rates of inflation, for example, affect the weak and vulnerable more than the strong and powerful members of society. Sound macroeconomic policies are, therefore, fundamental to eradicate poverty and vulnerability, to achieve economic stability and to protect people from the negative and protracted effects of macroeconomic shocks. But the definition of "sound macroeconomic policies" must be revisited. At the very least, the distributional consequences of specific policies must be carefully analysed. Financial planners and policy makers also have to be made to see that social policies are useful to economic growth, for, otherwise, social concerns will never be more than secondary to economic considerations. To promote social progress, every Government, within its own national context, has the responsibility to gear its policies, regulations and provision of finance towards the needs of the most vulnerable, deprived and excluded members of society. While it is important to develop appropriate policies to improve the situation of vulnerable groups and to promote a "society for all", as envisaged at Copenhagen, it is also

very important to "mainstream" awareness of the needs of vulnerable groups in all policies, including fiscal and employment policies, in order to ensure greater consideration of their needs and their wider participation in society. Participation can be enhanced by bringing decision-making closer to the people. There can be value in greater decentralization of responsibility and authority from the national to the local level, where people can be expected to exert more influence over decision-making.

17. If it is possible to speak of individuals and groups as being vulnerable or marginalized, it should also be possible to speak of countries, or indeed regions or continents, as being vulnerable. Globalization has created a situation in which a group of developing countries is highly integrated into the global economy, and a much larger group is marginalized from it; while a third group is both integrated and marginalized at the same time. Openness to the global economy creates a situation which can create high levels of growth, but also the risk of rapid collapse if investments are quickly withdrawn, as the Asian financial crisis demonstrated. It is important to consider the extent to which countries are able to choose the terms on which they are integrated into the global economy and how their choice (or lack of choice) affects the well-being of their people. Countries have become vulnerable in part because of rapid economic liberalization. Opening the capital accounts has created added risk: national financial regulation and infrastructure may be underdeveloped and the risks have not been sufficiently understood. The question must be asked whether the current pace and pattern of globalization are modifiable, and whether Governments and other social actors — alone or together — have the capacity and opportunity to do so.

18. At the international level, there is a need for greater dialogue so that differing views can be expressed and Governments can be afforded more room to make choices. It is also increasingly recognized that equitable management of "global public goods" requires concerted efforts. This is the realm of global governance. Yet there are powerful international institutions (World Bank, the World Trade Organization (WTO), the International Monetary Fund (IMF)) which restrict the ability of Governments to make independent choices and "global rules" are likely to increase. There should be greater opportunity for dialogue to promote international consensus on the development of these "global rules". There is also a need to rethink the design and operation of international institutions, including financial institutions.

D. Comparative roles of States and markets

19. Sometimes the State may not be in a position to exercise its expected role of protecting the vulnerable and promoting the common good. These tasks may be left to the market or to civil society. The question arises as to whether the private sector has the ethic required to overcome vulnerability and whether civil society has the capability. The recent trend towards cutbacks in Government funding for social services is often presented as an objective factor resulting from a lack of resources, but the level and distribution of Government resources is certainly a matter of political choice and the result of specific decisions. Government withdrawal from social service provision, to be replaced by the private and non-governmental sector, may work in countries where civil society is strong, but not in other places. In many places, including Africa, both the State and civil society are generally weak.

20. Efforts should be made to increase understanding of market-driven notions such as competition and efficiency and the impact they have: is cost the only basis for determining efficiency, profit the only determinant of success? This is not to imply that markets do not serve a useful function, but a plea for continued intervention to promote fairness. There is certainly a need to shake up governmental complacency and to humanize corporate behaviour. Corporate social responsibility must be encouraged and channelled: can the behaviour of the private sector be influenced so that it focuses on the needs and interests of vulnerable groups? Can enterprises be encouraged to consider more than the bottom line, to become better corporate citizens and work to increase social cohesion along with profits? Government incentives and consumer insistence may prove useful in this regard.

21. It is also important that the role and potential contribution of the private sector not be exaggerated. Just as it is unrealistic to expect "trickle down" benefits to substantially improve the well-being of the poor and vulnerable groups, it is also unrealistic to expect the private sector to provide universal social services or to solve social problems on its own. A pooling of efforts and resources is needed and, to the extent that private enterprises can contribute resources in some areas, Government resources can be freed for use in other areas.

E. Suggestions and recommendations

22. At the national level the following suggestions and recommendations for ensuring the welfare of vulnerable groups and individuals were put forward at the symposium:

(a) Mechanisms to implement the Government-civil society-private sector partnership should be strengthened; within these arrangements, mechanisms must be developed which provide vulnerable groups the opportunity to express their views and interests; there is also a need to consider and develop pluralistic regulatory mechanisms;

(b) Governments must become more "pro-active" in fighting vulnerability: service providers must seek out the vulnerable (case-finding); they must inform them of their options and the services available to them (case-managing); they must mediate on behalf of vulnerable individuals and groups to help them break through the bureaucracies and ensure that they get the services they need and deserve (advocacy); they must continuously review and evaluate the services provided to ensure that they are sufficient, that they meet needs and that they perform effectively;

(c) Achieving an efficient system of services may require innovative modes of provision that entail an adequate mix of public, private and non-profit participation and mobilizing new resources from the supply side; basic social services should be financed through taxation, not user fees, which, in many cases, never revert to the facilities for which they were intended;

(d) Decentralization of authority and decision-making should be encouraged; as decentralization proceeds, there is a need to increase local capacities; policies are needed to promote economic empowerment, enhanced civil participation and increased human resources at the local or community level; there is a compelling need to evaluate services on the basis of data received from service users at the community level;

(e) Private enterprises should be offered incentives to adopt socially responsible behaviour through, *inter alia*, reaching out to vulnerable groups by offering income-generating and training opportunities which go beyond what is strictly necessary for the enterprise but which are socially useful, including generating jobs specifically for persons with disabilities;

(f) It is important to develop programmes with built-in incentives, so that the benefits offered to poor and vulnerable groups can have long-term positive effects; for example, a programme to provide families with income support might include a requirement that families ensure that their children attend school regularly;

(g) Special efforts are needed to involve the most vulnerable groups, in particular persons with disabilities, in the development of policies, programmes and pragmatic action to improve their situations and ensure their well-being.

23. At the international level the following suggestions and recommendations were put forward:

(a) The notion of vulnerability should be enlarged to include countries; further attention should be given to the development of this notion currently being undertaken with respect to small island developing countries;

(b) It is necessary to look to multiple models and different approaches to development; international financial institutions and donor agencies need to reshape the kinds of assistance they provide to fit different circumstances; the one-size-fits-all approach is outdated;

(c) There should be *de jure* recognition that countries are different and that it is seriously counter-productive to insist that all countries follow one set of policies; this recognition would provide countries a sounder basis for negotiating with international institutions;

(d) There is a need to introduce moderation in the rate of global integration; the agendas of international institutions are being set at a rapid pace, which precludes in-depth discussion or incorporation of the views and concerns of vulnerable groups and countries;

(e) It should be possible to look into innovative ways to make grants and loans, not just through government channels, but directly to organizations of civil society; in doing so, careful consideration must be given to the need to ensure operational capacities to manage grants or loans, to maintain accountability to clients (rather than donors), and in other ways to protect their autonomy and ability to operate.

24. Ultimately, the question boils down to an issue of rights: the fundamental right of each person to achieve his or her potential and contribute to the family, community and society. This consideration must inform all our policies and programmes, as well as the political and economic choices our societies make. The focus in deciding on the mix between public and private — between States and the market — is the consideration of which mix will do most for human beings.

III. Enlarging employment by promoting small- and medium-sized enterprises in all sectors of the economy

25. The Copenhagen Summit recognized the potential of small- and medium-sized enterprises to generate employment opportunities and stated that these enterprises are likely to be the major source of job creation in developed countries in the years ahead. If this is true, the case might also be made that small- and medium-sized enterprises should be supported in developing countries as well, where the creation of new employment opportunities represents a major and growing challenge.

26. Studies of small- and medium-sized enterprises indicate that a relatively small number of fast-growing firms actually accounts for the vast majority of jobs created by the entire sector. It is also true that as the gross national product (GNP) rises, the percentage of small- and medium-sized enterprises in the economy tends to decline and the relative importance of larger firms rises. The optimist might say that this indicates that it is possible for small firms to grow and become more stable, creating employment as they do so. The pessimist might argue that since large numbers of small firms do not grow or succeed in creating new jobs, the sector cannot provide a viable solution to the problem of job creation. The realist might reply that the truth must lie somewhere in between. Recognizing that small- and medium-sized enterprises must be viewed within the context of the industrial systems of which they form a part and that situations vary in different countries as a result of different patterns of economic interaction, historical traditions and levels of development, it should be possible to create conditions for successful firms to create employment without viewing the entire sector as a panacea. Government policy should thus provide support for small firms to overcome obstacles and constraints to their growth and to their fuller integration into the formal economy, so that those firms that have the potential can grow. Attention should also be paid to the quality of employment these enterprises may generate, as well as to working conditions, safety and health considerations. The interaction between States and markets is obvious: markets may create employment, but Government — including local and regional authorities — retains a central role, particularly with regard to promoting an appropriate business environment, in ensuring an adequate legal framework and providing supportive actions.

27. Any consideration of employment must not fail to recognize unpaid or unstructured work, in particular the work done by women. Human value is not simply a result of paid work; it is important to recognize the contributions of all people, but particularly women, through the unpaid and voluntary work they do.

A. Factors which may influence the growth and development of small- and medium-sized enterprises

28. In any economy hundreds, if not thousands, of small enterprises are established each year. The success of these enterprises and their ability to create employment depends on a multitude of factors. Among the many factors which may influence the growth and development of small- and medium-sized enterprises, the existence of an entrepreneurial climate or enterprise culture may be one of the most important. In addition, the development of managerial capabilities is essential. Other factors include: a stable macroeconomic environment which will result in lower interest rates, thereby reducing the cost of borrowing; access to resources for growth, including credit and seed capital, from both formal and informal sources; the availability of infrastructure; access to information about available training, technologies, export opportunities and sources of financing; the existence of mechanisms to exchange information and share experiences and best practices; the availability of analyses on market conditions, including information on foreign markets; and the potential for a transfer of technology and know-how from large-scale enterprises to small- and medium-sized enterprises.

29. The success and survival of small- and medium-sized enterprises can be improved substantially through effective partnerships between the public and private sectors. The role of the community in policy initiatives is especially important, particularly in relation to credit markets, including the provision of microcredit through NGOs and communal arrangements to guarantee collateral for loans.

B. Obstacles and constraints

30. Small- and medium-sized enterprises represent the most vulnerable, unstable sector of the economy. There is a high "death rate" of firms in the sector, which results in loss of jobs. Because of their size, small- and medium-sized enterprises generally face difficulties and increased costs when seeking to obtain information. Similarly, suppliers of information are often not interested in providing it to small- and medium-sized enterprises because of the low potential

return for their efforts. In this context, there may be an underlying assumption that "big represents modern" and "small represents backward". This perception may create a reluctance to support small enterprises.

31. This situation can create an asymmetry of information: while firms understand their own problems and risks, potential lenders do not have access to that information and it is usually costly for them to obtain it. This creates obstacles to the provision of credit, including higher interest rates. Lack of access to credit, lack of a credit history and high rates of interest make it extremely difficult for small entrepreneurs to borrow to invest in their enterprises. Although microcredit can be highly profitable for lenders, the high fixed costs of entry in many cases discourage many banks and other financial institutions from providing it.

32. Market liberalization has made it difficult for small- and medium-sized enterprises to compete with large international firms in selling their products. In general, economic policies have given priority to growth rather than employment creation. This has resulted in capital-intensive investments and the growth of unemployment.

C. Employment in the formal and informal sectors

33. Small- and medium-sized enterprises are sometimes informal and unregistered and often operate on the margins of the formal economy, but one must be careful not to equate small- and medium-sized enterprises with the informal sector. The tendency to equate the two may in fact underlie the divergent views about the potential for growth of these enterprises and the desirability of providing support to them.

34. The informal sector is considered by some to be a strong source of employment generation and an example of economic vibrancy; others see it as representing the precarious existence of desperate people who cannot find employment and must therefore do something to survive. Without entering into the long-standing debate about the nature of the informal sector, it is perhaps sufficient to state that informal enterprises are unlikely to generate significant numbers of new jobs with high enough productivity to generate sufficient incomes to support satisfactory living standards. Therefore, the issue, from the perspective of employment generation, becomes how to overcome the impediments to transition to the formal economy, and the role of Government, in this view, is to reduce the burden for enterprises of switching from the informal to the formal sector. It should be recognized, however, that in doing so, enterprises may lose their comparative advantage.

35. If, however, one assumes that informal sector work is work-of-last-resort, then the issue is not how to maximize employment but how to improve productivity and maximize profit to fight poverty.

D. Other considerations

36. There are regional aspects which affect the growth of small- and medium-sized enterprises. In some countries, cities may be substantially integrated into the global economy, while rural areas are left out. The result may be that people resort to self-employment in small enterprises as a short-term survival strategy. The resort to self-employment in response to shocks caused by economic transitions, globalization and market liberalization may take several forms, of both short and long duration, and in both traditional and innovative sectors of the economy. That is, people may create small enterprises for a variety of reasons and with a variety of objectives. To be successful, policies to support these small enterprises need to take into account the underlying reasons and objectives upon which they were founded.

37. The fact that many Governments and large-scale firms have implemented "downsizing" schemes to rationalize their operations may have a positive outcome in that such actions create a pool of experienced, talented workers and managers who can bring their skills and knowledge to small- and medium-sized enterprises. Small- and medium-sized enterprises can strengthen their chances of survival by establishing linkages with large-scale firms through means such as supply contracts, outsourcing arrangements or subcontracting. Large-scale firms can also support the growth of small- and medium-sized enterprises through cooperative arrangements such as mentoring, the provision of technical personnel to offer assistance in areas such as product quality control, the development of administrative systems and the training of staff.

38. A sector which offers the potential for extensive employment growth is provision of social and community services. The provision of such services is, by definition, labour-intensive and the demand for such services is likely to grow as a result of changing demographics, family structures and economic conditions. Questions arise, however, with regard to the funding of these services. Some combination of public and community funding may be required.

39. Cooperatives can make an important contribution to employment generation, and also to social development because they provide people with a social context and a means to integrate with markets. Even when they do not produce profits, cooperatives can provide people with a sense of belonging, allowing them to develop their potential and can reduce welfare burdens by employing those who might otherwise seek public assistance. Similarly, other small- and medium-sized enterprises can, by providing employment opportunities, reduce social pressures and costs, including undesirable migration and welfare costs.

E. Suggestions and recommendations

40. In the area of small- and medium-sized enterprises, the following suggestions and recommendations were put forward at the symposium:

(a) Governments should ensure an adequate legal framework, create tax incentives, develop export opportunities, encourage large firms to provide support and instil a sense of corporate responsibility towards small- and medium-sized enterprises; International Labour Organization (ILO) recommendation 189 on general conditions for the promotion of job creation in small- and medium-sized enterprises provides suggestions for actions which could be taken by Governments;

(b) Access to credit at reasonable interest rates is essential; Governments may consider creation of special credit funds for entrepreneurs, but the State is often not the best judge of successful entrepreneurial ability or credit worthiness, therefore, it may be advisable to establish a partnership between the Government and commercial banks to provide credit: banks can provide their expertise in determining risk and credit worthiness while Governments can act as guarantors of the loans to be disbursed;

(c) Governments and large firms could create programmes to help small- and medium-sized enterprises establish credit histories and credit worthiness, or support joint action by groups of borrowers to provide information about their credit worthiness and back it with group collateral;

(d) Public policy should support the development of infrastructure to support the survival and growth of small- and medium-sized enterprises; examples include the creation of industrial estates and the provision of centralized services and assistance, transport facilities and utilities;

(e) Governments can also support small- and medium-sized enterprises by purchasing the goods and services they offer;

(f) Governments should support and promote cooperatives, member-based (representative) associations of entrepreneurs and informal sector operators;

(g) Efforts should be undertaken to counteract the high failure rate of small- and medium-sized enterprises: support for clusters of small enterprises and for associations, groupings, clubs, chambers of commerce and other such organizations of mutual support can help small- and medium- sized enterprises to develop the necessary skills, support and information they need to survive;

(h) Governments should institute and support networking arrangements so that small- and medium-sized enterprises can come together to benefit from mutual support and share experiences;

(i) Programmes to enhance entrepreneurship should be developed: entrepreneurial development can be included as part of educational reforms aimed at making schooling more responsive to the changing needs and opportunities of the workplace; entrepreneurship can also be encouraged through demonstration projects, "learning by doing", and incubator arrangements which provide training and support;

(j) Private sector providers of business development services to small- and medium-sized enterprises should also be promoted and supported;

(k) Governments must retain a monitoring function, perhaps in partnership with organizations of civil society, on the compliance of small- and medium-sized enterprises with agreed labour standards and working conditions;

(l) In certain circumstances, Governments may consider protecting small- and medium-sized enterprises from external competition, which has increased as a result of globalization and market liberalization; it should be stressed that the intention is not to protect inefficient firms but to protect useful, traditional economic activities;

(m) International organizations should assist countries — through provision of technical support and information — to establish systems for collecting and evaluating data on employment;

(n) International organizations — including ILO, the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the United Nations Industrial Development Organization (UNIDO) — could expand their activities to assist countries in developing a culture of entrepreneurship and updating school curricula and training

programmes so that they better prepare students for employment.

41. At the conclusion of this discussion, it remains to be stated that, notwithstanding the prediction that small- and medium-sized enterprises are likely to be major providers of employment opportunities in the years to come, there remain in every economy other important sources of jobs and other policies that Governments can and should adopt to promote full employment.

IV. Financing social development

42. It was suggested at the start of the discussion of financing social development that the rationale for financing was based on the premise that the development of the poor makes good economic sense. When people are healthy, educated, housed, clothed, employed, involved and content, it is not just they who benefit but all members of society. Clearly, it should be possible to achieve some consensus on the most urgent needs of a given society and, once agreement has been achieved, it should be possible to accomplish the goals through mobilization of sufficient will, resources, effort and cooperation. Primary education and basic health care provide cases in point. Indeed it has often been argued that sufficient resources already exist or can be easily freed up to meet basic human needs everywhere. These are concepts with which few people might disagree. Yet sensible and well-intentioned people continue to disagree every day over the means to achieve these and hundreds of other goals that comprise what we call social development and social progress.

A. Expanding the means of finance to promote social development

43. A key to enhanced financing of social development is to improve access of people living in poverty to financial services. This would involve a fuller integration of the informal and formal domestic financial markets to extend the benefits of financial liberalization to the poor and to vulnerable groups. Currently, only the better-off sectors of most societies have access to formal financial markets and only they have therefore benefited from the gains that liberalization can bring. The result has been growing inequity. Much attention has been given recently to the provision of microcredit to these groups, but rather than providing a separate and distinct system, Governments might prefer to subsidize access to financial markets or the outreach activities of existing banks, or to provide opportunities for access through existing service networks such as post offices.

44. With regard to microcredit schemes, experience indicates that the most successful ventures have involved a mixed savings and credit scheme, whereby potential borrowers must first establish their credit worthiness by maintaining savings; this helps them to develop a credit history upon which to draw a loan. There is also a need to create savings situations for poor and vulnerable people, so that they too may take advantage of interest-bearing accounts and so that they may accumulate resources to enable them to survive lean periods ("income-smoothing"). The poor and vulnerable, because of the scarcity of resources at their disposal, are at risk of defaulting on loans because of accident or illness; therefore, arrangements for simple, affordable health insurance for poor and vulnerable people should be established.

45. A system could be established to enable individuals to afford fees for tertiary education through establishment of a "diploma tax", whereby Government would agree to pre-pay the expenses of a university education and collect re-payment in the form of a tax on the future earnings of the graduate.

46. In some places, consideration has been given to proposals that services to the poor and vulnerable groups be ensured through public provision, while wealthier groups would provide for their own social needs, in particular through provision of services in the market. The argument is that scarce public resources should not be devoted to meeting the needs of people who can easily provide for themselves. While it might be possible in some instances to encourage wealthier members of society not to make use of publicly-provided social services, care must be taken to ensure continuation of the fundamental principle that social services should be provided universally. Universalism in service provision is the best guarantee of service quality, because experience indicates that when the wealthier segments of societies utilize public services they have a strong interest in maintaining them. Universalism also encourages social integration through equal treatment and avoids the problems of stigmatization associated with means testing.

B. International assistance and capital flows

47. When thinking of financing social development, we need to return to the target that donor countries devote 0.7 per cent of GNP to official development assistance (ODA).

It is no secret that levels of ODA have never even approached the target and we can only be pessimistic about levels of ODA in the coming years. It is, therefore, essential that every penny be spent wisely. The 20/20 concept, first raised at Copenhagen, has received a more positive response in recent years from many donor and recipient countries. The concept is not seen as an attempt to impose new conditionalities but as a means of targeting scarce resources more effectively to support basic services.

48. Discussion has occurred in recent years on the question of donor Governments providing ODA to support regional and global public goods. While the Global Environment Fund has provided some experience, decisions on supporting such use of ODA will likely await better clarification of the mandates and responsibilities of the agencies concerned, as well as better targeting. At the same time, the concept of funding global public goods must be acceptable to all development partners and not give rise to concerns that resources are being diverted from traditional assistance programmes.

49. During the past decade, a large part of ODA has been redirected from Governments to NGOs and the private sector. It may be that this shift has occurred too quickly with the result that assistance is not being effectively utilized by the new recipients while the former recipients may have ceased to function. Therefore, there is a danger that existing structures can be weakened and become ineffective without any new structures evolving to replace them; the outcome is then worse than what existed previously. The question of the speed at which changes are implemented needs careful consideration.

50. With regard to international capital flows, it is important to point out that, currently, investments generally flow to a small group of developing countries which are already highly integrated into the global economy. These countries, and indeed many other developing countries, may already be able to finance their social development needs from domestic savings (although their abilities to make the necessary choices may be constrained by various political and social factors). It is precisely those low-income and least developed countries, mainly in sub-Saharan Africa and South Asia, which most desperately need capital investment that are least likely to receive it. A major reason for this situation is that the credit worthiness of these countries is either shaken or not well established. The issue is not to make investors aware of the credit worthiness of all developing countries per se, but to improve the credit worthiness of those countries most in need of private investment. Otherwise, investment will continue to flow only to those countries which least need it.

51. At the same time, it should be possible to introduce the notion of social responsibility among investors. This may be occurring to some extent already as more investments flow from sources such as pension funds and insurance companies, which are potentially more long-term, patient investors than bankers and more reliable funders of social development programmes. In this regard, it might also be possible for concerned organizations of civil society to promote public opinion in investor countries to change unsustainable investment behaviour.

52. With regard to the question of the development of new international financial architecture, more consideration is needed and caution should prevail. There may be a need for new structures and institutions in the long term, but these should be treated as a last resort. First and foremost there is a need to encourage dialogue among the many actors involved. Investors and other financial actors are capable of changing their attitudes and behaviour, but it is preferable for this change to result from dialogue rather than from the imposition of new rules and regulations. In order to change behaviour, the "free rider issue" must be addressed — this refers to the notion that for change to be effective, group agreement is required so that no one individual or firm receives undue advantage or penalty.

53. The opening of many countries to global financial markets has created situations in which Governments, at both local and national levels, have new access to opportunities to borrow, yet many of the officials concerned have little or no experience with the workings of financial markets and no accurate concept of their abilities to repay the loans. This has led to numerous cases of potential public default or bankruptcy. There is a tremendous process of learning which needs to occur before funds which might be available can be efficiently and effectively utilized and repaid.

C. Hindrances to financing social development

54. The amount of resources available, while important, is not the sole issue of concern in financing social development. How resources are being safeguarded, distributed and utilized must also be considered. Most societies are composed of interest groups with competing agendas, and there is often no appropriate mechanism to resolve different interests, objectives and priorities in a consensual or mutually beneficial way. Entrenched interest groups, long-standing practices, bureaucratic cultures and

inertia can all affect decisions about where resources are allocated and how effectively they are utilized.

55. Implementation of programmes is often poor and project funds are often spent without clear objectives simply because people at the field level are under pressure to spend. Often, there is no real sense of accountability for the implementation of programmes and no serious consequences of failure — projects can run for years with no visible result.

56. Political will is often insufficient or unsustained. Even when political will is not lacking, the needs are often overwhelming and there remains great difficulty for many politicians, policy makers and planners to prioritize all the many actions which need to be taken. Priorities are sometimes adopted which may not be in the best interests of the poor and vulnerable groups. Politicians continue to support big infrastructure projects which may be of only indirect benefit to the poor, while ignoring programmes to provide basic social services which are truly needed.

57. Partnership remains a fact more in rhetoric than reality. In spite of the expressed desire for greater collaboration, representatives of Government and the private sector often find themselves at odds. Even when they want the same things, they may speak "different languages". Improved communication and information-sharing would improve mutual understanding and cooperation.

58. Sometimes, as a result of their experience, poor and vulnerable people have lost confidence in the formal financial system. A bank failure which wipes out the savings of a lifetime only has to happen once before confidence is destroyed. Market liberalization and the resulting reduction in controls can also shake people's confidence, resulting in many poor and vulnerable people continuing to use traditional savings methods rather than committing their savings to formal institutions, even if those traditional methods are themselves less than fully secure and even if they pay no interest.

59. The continued imposition by international financial institutions upon some developing countries of policies for structural adjustment can have profoundly negative impacts on the poor and vulnerable. Greater attention is needed to the social impact of these policies.

60. Large percentages of ODA grants are spent in the donor country, raising questions about who the intended beneficiaries truly are.

D. Suggestions and recommendations

61. Careful evaluation of the costs of each proposal in its individual context is needed in order to determine whether the proposal indeed results in savings or frees up resources. Attention should also be given to the relationship between fairness and efficiency in determining which approaches are best. In some instances, fairness and efficiency might prove to be complementary and in others they might be contradictory factors. To the extent that a determination is possible, public policy and expenditure should support approaches where fairness and efficiency are complementary:

(a) There is a need for stricter evaluation of programme and project implementation and outcomes to ensure that funds for social development are effectively utilized;

(b) Consideration should be given to adopting an approach to funding social development which mixes aspects of planning and accountability from the private sector with social concerns of the public sector;

(c) Emphasis should be given to the efficiency and effectiveness, professionalism and integrity of public administration in the civil service;

(d) With regard to ODA, better targeting and more effectiveness in the delivery and expenditure of funds is imperative to ensure social development; there should also be better integration of aid and public and private financing;

(e) With regard to grants and loans provided to developing countries, it would be useful to create a mechanism at the national level through which more parties can be involved in monitoring the receipt and utilization of resources;

(f) With regard to those developing countries which are substantially integrated into the global economy and which are, therefore, vulnerable to rapid capital withdrawal, it would make sense to create a large pool of money to stabilize economies in times of crisis; other official flows (e.g. export credits) can also be important factors for stabilization;

(g) With regard to those developing countries which are substantially marginalized from the global economy and, consequently, largely absent from global financial markets, it would make sense to enhance the financial capacities of local communities and civil society to help generate resources;

(h) Other countries experience both integration and marginalization simultaneously; in these countries it is important to increase capacity in the social sectors, but it is also important to provide strong incentives and increased status to social service workers;

(i) Donors should move away completely from project funding towards pooling of aid resources;

(j) Social impact assessments should be undertaken with regard to World Bank and IMF programmes currently being implemented;

(k) There is a need to strengthen the capacities of developing countries to negotiate with the international financial institutions; Governments could also invite specific NGOs to prepare alternative policies to those being recommended;

(l) Consideration should be given to creation of an international social development "knowledge bank" within the United Nations on issues and concerns, policies and practices.

62. Finally, the discussion of this vast subject called financing social development was really very much a discussion about the appropriate, effective instruments for achieving what societies wish to achieve. The world appears to be divided on the issue of which instruments are needed to achieve the goals everyone agrees on. The challenges ahead are great, but the motivation to succeed is powerful.

Annex I

Experiences introduced by Chinese participants

1. Twelve Chinese experts and observers took part in the symposium, entitled "States, markets and social progress: roles and cooperation of public and private sectors", and they played an active role in the discussion. The views expressed by these participants on the various topics under discussion were their own personal opinions.

Ensuring the welfare of vulnerable groups and individuals

2. Chinese experts pointed out that economic development, to some extent, is only a tool for social development. It is evident from the Chinese experience that economic development should be coordinated with social development. All decision-making regarding economic development programmes should take into account the social impact of those programmes.

3. Government continues to play a significant role in social development, although the functions of the State are evolving during this transitional period. Based on Chinese experience, it was suggested that Governments of developing countries should play the following roles in the fields of social protection:

(a) To provide basic social service facilities, such as education and public health, so as to ensure equal opportunity;

(b) To create a public-oriented environment, especially for vulnerable groups;

(c) To give absolute priority to poverty eradication in the national development strategy.

4. The function of Governments in the fields of social protection cannot be generalized. Governments should play a more important role in those countries where civil society is not well developed in order to avoid isolating vulnerable groups and individuals and leaving them in a situation where they have no access to essential services.

5. From a certain viewpoint, the extent to which human rights are enjoyed by the vulnerable groups and individuals in a country or in a society is a measure of the degree of social progress and "social civilization". The achievement of the full realization of the human rights of the vulnerable groups and individuals will require support and help from the State and from other sectors of the society. This, in turn, will require the protection afforded by special policies. It is the obligation of the international community and every Government to ensure the welfare of vulnerable groups and individuals in all countries.

6. At the same time, differentiation of the vulnerable groups should be emphasized. Since the causes and the experiences of the vulnerabilities for these groups may be different, the solutions should also be devised in different ways. It may be helpful to consider vulnerable groups in terms of the "relatively vulnerable" and the "absolutely vulnerable". For instance, women belong to the group of the "relatively vulnerable": their vulnerability is mostly socially constructed. Historically, there have always been patriarchal, or "male-centred" societies. Therefore, to eradicate the vulnerability of women it is necessary for societies not only to establish policies and provide assistance and supportive actions, but also to change the ways women are socially stereotyped. A necessary precondition for gender equality is to provide women with equal positions, income and respect. Gender inequality cannot be resolved through social welfare programmes.

7. The absolutely vulnerable groups are those such as disabled persons, widows and orphans, whose vulnerabilities are physically as well as socially constructed. It is not enough to merely provide them with "equal access". They need more practical protection and support from society to realize their basic human rights. They depend more on the social welfare system and they should be guaranteed equal access to services, although they may require special consideration in order to receive equal access.

8. Because of its primary role, the State cannot shirk its responsibility for protecting the social welfare of vulnerable groups. It is impossible for the State to give up or to reduce its social protection to vulnerable groups. The welfare provided by States is the most reliable resource and guarantee for vulnerable groups to be able to realize their basic human rights. This point deserves further attention and emphasis. The efforts of individuals, families, informal networks and organizations of civil society are necessary to supplement the provision of services by the State. No matter what happens, the responsibility of the State to provide social welfare to vulnerable groups can never be weakened.

9. Partnership is important in the process of social development. For example, in recent years in China there have been more and more non-governmental organizations

taking part in the provision of community services, especially for people living in poverty and victims of natural calamities. Voluntarism in China has grown to exceed 10 million participants. NGOs are all connected with some specific social groups as well as relevant governmental agencies.

10. To some extent, globalization aggravates the weaknesses of vulnerable groups. Market economies are profit-oriented. It is thus not feasible to expect — or to allow — markets alone to provide protection for vulnerable groups.

11. While emphasizing the responsibilities of States and civil society to vulnerable groups, attention should be paid to the fact that the realization and formulation of social security are influenced by the domestic economy and culture, with particular emphasis on the availability of financial resources. From an international perspective, developed countries should undertake more responsibilities in this regard. The developed countries should provide necessary assistance to developing countries. In today's world, the economic order and economic structure are extremely irrational and unequal. In addition, economic globalization has put the developing countries in an unfavourable situation. In this case, developed countries should provide more material and financial assistance to developing countries. Only in this way can the gap between developed and developing countries be reduced. The international community, especially the United Nations, is responsible for working out some specific regulations and quantitative indicators on how to realize such assistance. It should be emphasized that this kind of assistance should not be accompanied by any additional political conditions as prerequisites. This principle of "non-conditionality" should underlie discussions of international assistance to reduce vulnerability.

12. It should also be pointed out that each country is different. The priorities for social welfare in each country will be different. There is no such thing as a social welfare policy which is applicable and appropriate for all countries. For international cooperation in the field of social welfare to be relevant and useful, it must bear this principle in mind.

Promoting small enterprises

13. Currently there are approximately 10 million small- and medium-sized enterprises in China. This number constitutes 99 per cent of the total number of Chinese enterprises. The industrial output and tax payments from these small- and medium-sized enterprises account for 60 per cent and 40 per cent of the total, respectively. In addition, 90 per cent of foreign enterprises in China are small- or medium-sized enterprises. In 1995, the export and import volume attributed to these enterprises was US$ 109.8 billion, accounting for 39 per cent of the country's total volume. In order to promote the reform of the small- and medium-sized enterprise sector, the country promulgated a new policy, which involves:

(a) Starting with practical conditions to revitalize and open small enterprises through a variety of means. In order to clarify the direction of the reform on small enterprises, governmental functions should be separated from enterprise management. In this way, the enterprises will be inserted into the market and they can manage themselves independently. Finally, they will become legal entities that are responsible for their own management decisions, profits and losses, success or failure; they will learn to practice self-restraint and develop their own initiatives;

(b) Encouraging small enterprises to choose their reform modus according to their own conditions. With only the prerequisite of not selling State-owned assets to individuals, the Government allows the establishment of limited and shareholding companies, and encourages reforms such as entrusted management, selling, contract management and joint ventures. Cooperation and mergers between and among enterprises are also encouraged;

(c) The rights and responsibilities to approve the opening and revitalization of small- and medium-sized enterprises belong to the local authorities.

14. From the perspective of reform and employment-generation, small- and medium-sized enterprises, including township enterprises, will continue to be the key developing sector in China's national economy during the next five years. Of course, with the continuing reforms, "township enterprises" will become an historical concept worth noting in the history of China's rural development endeavours. It is inevitable that small- and medium-sized enterprises will take the place of township enterprises, following both domestic and international trends. The development of small- and medium-sized enterprises will also provide new avenues of development for small towns in China.

Financing of social development

15. Some Chinese experts thought that the financing of social development cannot be fully provided by the Government, especially the Government of a populous and developing country like China. Based on the characteristics of different social services and financial abilities of a country, the process of increasing funding for social

provision should adopt different modalities. In social service projects, for example:

(a) "Pure public" service products should be undertaken completely by the Government. Sufficient funds should be allocated in the State budget to support projects such as sanitary supervision and monitoring and environmental treatment;

(b) "Semi-public" projects, including prevention of transmission of communicable diseases such as tuberculosis, should be undertaken and financed by all parties, including the Government, private enterprises and individuals;

(c) "Purely individual" service products should be financed mainly by individuals through insurance schemes. Some favourable policies and government subsidies may be provided to support provision of basic services; non-basic services should be financed through the market.

16. It may be instructive to examine the case of China's health-care sector. Health care in China has achieved great results since the founding of the People's Republic five decades ago. The transmission of infectious diseases and the incidence of infant and maternal mortality in China have dropped considerably while life expectancy has increased markedly. This is attributed in large part to the universal health-care system established by the Government. While the supply of resources devoted to health care is sufficient, the underutilization of health-care services, particularly in poverty-stricken and rural communities, has emerged as a problem in recent years. Some people cannot visit health clinics because they cannot afford to pay even small fees. To solve this new problem in a manner appropriate to the Chinese context, a demand-oriented financing system for rural health-care insurance was established. The collection of contributions for China's rural cooperative health-care insurance relies mainly on individuals, with the support of the collective economy and the Government. The local authorities can, therefore, provide risk funds for health care to some poverty-stricken areas so as to ensure the continuity of health insurance in years when natural calamities occur and rural citizens cannot afford to pay for themselves. This means that, in some areas, the premiums for the joint-fund insurance system is payed by the local authorities to the benefit of people living in poverty.

17. At the symposium, some Chinese participants introduced information regarding the use of financial loans in the health-care sector. For example, a World Bank loan to China, Basic Health Services Project VIII, whose aim is to alleviate poverty through the provision of free health care, set a good example for the utilization of funds and was identified as an excellently designed Bank project. Its main characteristics included:

(a) Providing support to both suppliers and demanders of health-care services;

(b) Providing support to both health-care "hardware" (construction) and "software" (management);

(c) Providing benefits both to people living in poverty and others, in particular to women and children, with efforts focused on preventing major diseases;

(d) Providing plans for resource investment and assessment of the results of the utilization of those resources.

18. Chinese participants proposed some concrete suggestions to increase public fund-raising, such as levying additional fees on cigarettes as a channel to finance public health services, and supporting health insurance schemes for employees of small- and medium-sized enterprises.

19. Chinese participants also considered capacity-building to be increasingly important for both Governments and NGOs, particularly in developing countries. Such capacity-building should include: rational organization and management of social resources; formulation of appropriate social policy; and heightened daily management. Some experts suggested that the United Nations system could assist the developing countries in establishing activity centres and facilities for policy discussions, information exchange and training.

Annex II

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